



天健國際會計師事務所有限公司  
Confucius International CPA Limited

Certified Public Accountants

香港灣仔莊士敦道181號大有大廈15樓1501-8室  
Rooms 1501-8, 15<sup>th</sup> Floor, Tai Yau Building,  
181 Johnston Road, Wanchai, Hong Kong  
電話 Tel: (852) 3103 6980  
傳真 Fax: (852) 3104 0170  
電郵 Email: info@pccpa.hk

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DKE HOLDING COMPANY LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

### Introduction

We report on the historical financial information of DKE Holding Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-68, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-68 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2026 (the “**Prospectus**”) in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### ***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### ***Dividends***

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

*CI CPA Ltd.*

**Confucius International CPA Limited**  
*Certified Public Accountants*  
Hong Kong  
29 June 2026

## **I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

### **Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**Consolidated Statements of Profit or Loss**

	<i>Notes</i>	<b>Year ended December 31,</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue .....	5	1,024,198	1,151,556	1,712,981
Cost of sales .....	7	(862,425)	(969,126)	(1,432,810)
<b>Gross profit .....</b>		<b>161,773</b>	<b>182,430</b>	<b>280,171</b>
General and administrative expenses .....	7	(68,126)	(62,301)	(87,892)
Selling and marketing expenses .....	7	(17,990)	(19,113)	(21,146)
Research and development expenses .....	7	(39,934)	(56,021)	(59,045)
Reversal of impairment losses/(impairment losses) on financial assets .....	3.2	10,568	1,015	(6,154)
Other income .....	6	13,269	7,854	7,226
Other gains/(losses), net .....	8	4,586	2,266	(7,370)
<b>Operating profit .....</b>		<b>64,146</b>	<b>56,130</b>	<b>105,790</b>
Finance income .....	10	4,616	5,826	971
Finance costs .....	10	(8,580)	(7,283)	(9,666)
Finance (costs)/income, net .....		(3,964)	(1,457)	(8,695)
Share of profit or loss of investments in associates .....		(2,393)	–	–
<b>Profit before income tax .....</b>		<b>57,789</b>	<b>54,673</b>	<b>97,095</b>
Income tax expense .....	11	(7,050)	(1,269)	(16,867)
<b>Profit for the year .....</b>		<b>50,739</b>	<b>53,404</b>	<b>80,228</b>
Attributable to:				
– Owners of the Company ..		50,739	53,404	80,493
– Non-controlling interests .		–	–	(265)
		<b>50,739</b>	<b>53,404</b>	<b>80,228</b>
<b>Earnings per share attributable to the owners of the Company (in RMB per share)</b>				
– Basic .....	13	1.10	1.16	1.75
– Diluted .....	13	1.10	1.16	1.75

**Consolidated Statements of Comprehensive Income**

	<i>Notes</i>	Year ended December 31,		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b> . . . . .		<b>50,739</b>	<b>53,404</b>	<b>80,228</b>
<b>Other comprehensive (expenses)/income</b>				
<i>Items that will not be reclassified to profit or loss, net of tax:</i>				
– Changes in fair value of equity instruments at fair value through other comprehensive income . . . .		–	–	(303)
<i>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</i>				
– Currency translation differences of foreign operations . . . . .		(714)	157	(1,517)
<b>Other comprehensive (expenses)/income for the year, net of tax</b> . . . . .		<b>(714)</b>	<b>157</b>	<b>(1,820)</b>
<b>Attributable to:</b>				
– Owners of the Company . . . . .		(714)	157	(1,820)
– Non-controlling interests . . . . .		–	–	–
		<b>(714)</b>	<b>157</b>	<b>(1,820)</b>
<b>Total comprehensive income for the year</b> . . . . .		<b>50,025</b>	<b>53,561</b>	<b>78,408</b>
<b>Attributable to:</b>				
– Owners of the Company . . . . .		50,025	53,561	78,673
– Non-controlling interests . . . . .		–	–	(265)
		<b>50,025</b>	<b>53,561</b>	<b>78,408</b>

**Consolidated Statements of Financial Position**

	<i>Notes</i>	<b>As at December 31,</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<i>16</i>	339,840	385,881	540,063
Right-of-use assets	<i>17</i>	48,577	58,959	53,193
Deferred tax assets	<i>20</i>	8,630	10,091	7,786
Intangible assets	<i>18</i>	2,305	2,142	2,702
Other financial assets at fair value through other comprehensive income	<i>3.5</i>	—	—	20,783
Other non-current assets	<i>23</i>	8,260	7,968	2,915
<b>Total non-current assets</b>		<b>407,612</b>	<b>465,041</b>	<b>627,442</b>
<b>Current assets</b>				
Inventories	<i>24</i>	231,826	320,878	525,322
Prepayments and other receivables	<i>22</i>	53,221	50,372	5,755
Trade and notes receivables	<i>21</i>	211,097	270,746	382,064
Other financial assets at fair value through other comprehensive income	<i>3.5</i>	1,100	8,676	28,753
Cash and cash equivalents	<i>25</i>	206,971	178,355	143,796
Term deposits and restricted cash	<i>25</i>	8,957	9,164	8,070
Other current assets	<i>23</i>	7,118	3,963	12,538
<b>Total current assets</b>		<b>720,290</b>	<b>842,154</b>	<b>1,106,298</b>
<b>Total assets</b>		<b>1,127,902</b>	<b>1,307,195</b>	<b>1,733,740</b>

		As at December 31,		
		2023	2024	2025
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current liabilities</b>				
Borrowings . . . . .	26	97,969	87,342	93,273
Lease liabilities . . . . .	17	4,936	7,807	4,816
Deferred tax liabilities . . . . .	20	2,762	–	1,858
Deferred income . . . . .	31	36,012	40,575	37,394
<b>Total non-current liabilities . . .</b>		<b>141,679</b>	<b>135,724</b>	<b>137,341</b>
<b>Current liabilities</b>				
Borrowings . . . . .	26	47,081	94,956	323,289
Trade and notes payables . . . . .	27	115,467	207,578	266,229
Contract liabilities . . . . .	5	363	742	14,729
Lease liabilities . . . . .	17	1,560	3,218	3,241
Current income tax liabilities . . . . .		2,057	4,138	2,381
Accruals and other payables . . . . .	28	80,152	87,986	117,414
Provisions . . . . .	29	–	–	10,684
Other current liabilities . . . . .	30	10	606	622
<b>Total current liabilities . . . . .</b>		<b>246,690</b>	<b>399,224</b>	<b>738,589</b>
Net current assets . . . . .		473,600	442,930	367,709
<b>Total liabilities . . . . .</b>		<b>388,369</b>	<b>534,948</b>	<b>875,930</b>
<b>EQUITY</b>				
<b>Equity attributable to owner of the Company</b>				
– Share capital . . . . .	32	46,067	46,067	46,067
– Other reserves . . . . .	35	401,898	406,898	410,998
– Retained earnings . . . . .	34	291,568	319,282	399,775
		739,533	772,247	856,840
Non-controlling interests . . . . .	15	–	–	970
<b>Total equity . . . . .</b>		<b>739,533</b>	<b>772,247</b>	<b>857,810</b>
<b>TOTAL LIABILITIES AND EQUITY . . . . .</b>		<b>1,127,902</b>	<b>1,307,195</b>	<b>1,733,740</b>

**Company's Statements of Financial Position**

		As at December 31,		
	Notes	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries . . .	15	205,038	217,680	226,012
<b>Total non-current assets . . . . .</b>		<b>205,038</b>	<b>217,680</b>	<b>226,012</b>
<b>Current assets</b>				
Prepayments and other				
receivables . . . . .	22	245,265	228,643	222,331
Trade and notes receivables . .	21	219	105	40
Other financial assets at fair				
value through other				
comprehensive income . . . .	3.5	100	–	–
Cash and cash equivalents . . .	25	3,096	10,486	305
Restricted cash . . . . .	25	–	462	486
Other current assets . . . . .	23	316	370	3,807
<b>Total current assets . . . . .</b>		<b>248,996</b>	<b>240,066</b>	<b>226,969</b>
<b>Total assets . . . . .</b>		<b>454,034</b>	<b>457,746</b>	<b>452,981</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accruals and other payables . .	28	4,672	2,663	4,079
<b>Total current liabilities . . . . .</b>		<b>4,672</b>	<b>2,663</b>	<b>4,079</b>
Net current assets . . . . .		244,324	237,403	222,890
<b>Total liabilities . . . . .</b>		<b>4,672</b>	<b>2,663</b>	<b>4,079</b>
<b>EQUITY</b>				
– Share capital . . . . .	32	46,067	46,067	46,067
– Other reserves . . . . .	35	402,603	407,446	413,366
– Retained earnings . . . . .	34	692	1,570	(10,531)
<b>Total equity . . . . .</b>		<b>449,362</b>	<b>455,083</b>	<b>448,902</b>
<b>TOTAL LIABILITIES AND</b>				
<b>  EQUITY . . . . .</b>		<b>454,034</b>	<b>457,746</b>	<b>452,981</b>

### Consolidated Statements of Changes in Equity

	Attributable to owners of the Company						
	Share capital	Share premium	Capital Reserves	Statutory reserve	Other comprehensive income reserve	Retained earnings	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2023 . . . . .	46,067	385,880	10,186	646	9	240,829	683,617
Profit for the year . . . . .	-	-	-	-	-	50,739	50,739
Other comprehensive expenses . . .	-	-	-	-	(714)	-	(714)
Total comprehensive (expenses)/income for the year . . . . .	-	-	-	-	(714)	50,739	50,025
Share-based payment . . . . .	-	-	5,891	-	-	-	5,891
Balance at December 31, 2023 . . .	<u>46,067</u>	<u>385,880</u>	<u>16,077</u>	<u>646</u>	<u>(705)</u>	<u>291,568</u>	<u>739,533</u>

	Attributable to owners of the Company						
	Share capital	Share premium	Capital Reserves	Statutory reserve	Other comprehensive income reserve	Retained earnings	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2024 . . . . .	46,067	385,880	16,077	646	(705)	291,568	739,533
Profit for the year . . . . .	-	-	-	-	-	53,404	53,404
Other comprehensive income . . .	-	-	-	-	157	-	157
Total comprehensive income for the year . . . . .	-	-	-	-	157	53,404	53,561
Appropriation to surplus reserves .	-	-	-	2,657	-	(2,657)	-
Share-based payment . . . . .	-	-	2,186	-	-	-	2,186
Dividends . . . . .	-	-	-	-	-	(23,033)	(23,033)
Balance at December 31, 2024 . . .	<u>46,067</u>	<u>385,880</u>	<u>18,263</u>	<u>3,303</u>	<u>(548)</u>	<u>319,282</u>	<u>772,247</u>

	Attributable to owners of the Company								
	Share capital	Share premium	Capital Reserves	Statutory reserve	Other comprehensive income reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2025 . . .	46,067	385,880	18,263	3,303	(548)	319,282	772,247	-	772,247
Profit for the year . . . . .	-	-	-	-	-	80,493	80,493	(265)	80,228
Other comprehensive expenses .	-	-	-	-	(1,820)	-	(1,820)	-	(1,820)
Total comprehensive (expenses)/income for the year . . . . .	-	-	-	-	(1,820)	80,493	78,673	(265)	78,408
Share-based payment . . . . .	-	-	5,920	-	-	-	5,920	-	5,920
Capital contributions from the non-controlling interests . . .	-	-	-	-	-	-	-	1,235	1,235
Balance at December 31, 2025 .	<u>46,067</u>	<u>385,880</u>	<u>24,183</u>	<u>3,303</u>	<u>(2,368)</u>	<u>399,775</u>	<u>856,840</u>	<u>970</u>	<u>857,810</u>

**Consolidated Statements of Cash Flows**

	<i>Notes</i>	<b>Year ended December 31,</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>				
Cash generated from/(used in) operations . . . . .	36(a)	195,572	18,618	(118,178)
Interest received . . . . .		4,616	5,826	971
Income tax paid . . . . .		(21,728)	(5,011)	(18,305)
<b>Net cash generated from/(used in) operating activities . . . . .</b>		<b>178,460</b>	<b>19,433</b>	<b>(135,512)</b>
<b>Cash flows from investing activities</b>				
Payments for purchase of investments . . . . .		–	–	(21,476)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		–	118	1,119
Withdraw of wealth management products . . . . .		–	25,000	49,000
Investment income received from wealth management products . . . . .		–	134	110
Placement of wealth management products . . . . .		–	(25,000)	(49,000)
Government grant received in relation to assets . . . . .		24,646	7,510	–
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(75,475)	(71,888)	(132,382)
Payments for deposits on land use rights . . . . .		(2,112)	–	–
Withdraw of deposits on land use rights . . . . .		–	2,112	–
<b>Net cash used in investing activities . . . . .</b>		<b>(52,941)</b>	<b>(62,014)</b>	<b>(152,629)</b>

<i>Notes</i>	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from financing activities</b>			
Capital contributions from the non-controlling interests . . . . .	–	–	1,235
Proceeds from bank borrowings . . . . .	158,280	206,582	362,010
Government grant received in relation to loans . . . . .	4,719	493	891
Movements of restricted cash . . . . .	(4,059)	4,059	–
Repayments of bank borrowings . . . . .	(229,310)	(168,848)	(94,747)
Principal elements of lease payments . . . . .	(4,953)	(3,059)	(1,735)
Interests paid . . . . .	(9,801)	(5,908)	(8,277)
Dividends paid to the Company's shareholders . . . . .	–	(23,033)	–
Payments of listing expenses to be capitalized . . . . .	–	–	(2,562)
Others . . . . .	(269)	(160)	(126)
<b>Net cash (used in)/generated from financing activities . . . . .</b>	<b>(85,393)</b>	<b>10,126</b>	<b>256,689</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>40,126</b>	<b>(32,455)</b>	<b>(31,452)</b>
Cash and cash equivalents at the beginning of the year . . . . .	164,944	206,971	178,355
Effects of exchange rate changes on cash and cash equivalents . . . . .	1,901	3,839	(3,107)
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>206,971</b>	<b>178,355</b>	<b>143,796</b>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

DKE Holding Company Limited (浙江東方科脈電子股份有限公司) (hereinafter referred to as the “Company”), formerly known as Dalian Dongfang Kemai Electronics Co., Ltd. (大連東方科脈電子股份有限公司), is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”) on October 28, 2005. The registered office of the Company is located at Room 130, Building 2, No. 16, Fuxing Avenue, Xitang Town, Jiashan County, Jiaxing City, Zhejiang Province PRC. The ultimate controlling shareholder of the Company is Mr. Zhou Aijun.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are a manufacturer and service provider of electronic paper (“e-paper”) display modules integrating the research and development (“R&D”), design, production and sales of various types of e-paper display modules.

The Company’s subsidiaries during the Track Record Period are set out in Note 15.

The Historical Financial Information are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB’000) except when otherwise indicated.

The statutory consolidated financial statements of the Company for the years ended December 31, 2023, 2024 and 2025 prepared in accordance with the relevant accounting principles in the PRC were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

### 2. BASIS OF PREPARATION

The Historical Financial Information of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income (“FVOCI”).

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 40 to this Historical Financial Information.

#### 2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’ . . . . .	To be determined
Amendments to IFRS 9 and IFRS 7 ‘Amendments to the Classification and Measurement of Financial Instruments’ . . . . .	January 1, 2026
Amendments to IFRS 9 and IFRS 7 ‘Contracts Referencing Nature-dependent Electricity’ . . . . .	January 1, 2026
Annual Improvements — Volume 11 IFRS accounting standards . . . . .	January 1, 2026
IFRS 18 ‘Presentation and Disclosure in Financial Statements’ . . . . .	January 1, 2027
IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’ . . . . .	January 1, 2027
Amendments to IFRS 21 Translation to a Hyper inflationary Presentation Currency. . . . .	January 1, 2027

Except for the impact of IFRS 18 below, other new/amended standards are either not relevant to the Group or not expected to have a material impact on the Group’s consolidated financial statements when they become effective.



As shown in the table above, the Group is primarily exposed to changes in USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises from USD denominated financial instruments is as below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
USD exchange rate			
Increase 5% . . . . .	13,493	1,793	(2,393)
Decrease 5% . . . . .	(13,493)	(1,793)	2,393
VND exchange rate			
Increase 5% . . . . .	–	152	470
Decrease 5% . . . . .	–	(152)	(470)

(b) *Interest Rate Risk*

The Group's interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment and maintains an appropriate combination of financial instruments through regular review and monitoring.

As at December 31, 2023, 2024 and 2025, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB98,330,000, nil and RMB20,000,000 respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB492,000, nil and RMB100,000, for the years ended December 31, 2023, 2024 and 2025, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bank balances carried at fixed rates is not significant for the Group.

3.2 *Credit Risk*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

*Trade receivables arising from contracts with customers*

The Group mainly conducts transactions with customers with good quality and long-term relationship. When accepting new customers, the Group and the Company consider the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group and the Company continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the Track Record Period. The percentage of trade receivables attributable to these five largest customers amounted to 80.0%, 82.8% and 92.3% in each year during the Track Record Period, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

**Notes receivables**

The Group only accepts notes receivables with low credit risk. The Group's notes receivables are bank acceptance notes and therefore are considered to be low credit risk financial instruments. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default. For the Track Record Period, loss allowance on notes receivables was insignificant.

**Other receivables**

For other receivables, the Group makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort.

**Bank balances**

The Group's credit risk on bank balances is low and there is no significant concentration of credit risk because the bank balances are deposited with creditworthy banks with no recent history of default. Loss allowance on bank balances was insignificant for the Track Record Period.

The Group's internal credit risk grading assessment comprises the following categories:

<u>Internal credit Rating</u>	<u>Description</u>	<u>Trade receivables</u>	<u>Financial assets other than trade receivables</u>
Low risk . . . .	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL — not credit-impaired	12m ECL
Watch list . . .	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful . . . .	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss . . . . .	There is evidence indicating the assets is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off . . .	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

		As at December 31,		
Financial assets at amortised cost	12m ECL or lifetime ECL	2023	2024	2025
		Gross carrying amount	Gross carrying amount	Gross carrying amount
		RMB'000	RMB'000	RMB'000
Bank balances . . . . .	12m ECL	215,928	187,519	151,866
	Lifetime ECL (collective assessment, not credit-impaired)	215,771	270,151	388,924
Trade receivables — contracts with customers . . . . .	Lifetime ECL (individual assessment, not credit impaired)	315	220	674
	Lifetime ECL (credit-impaired)	21,346	11,631	1,138
		<u>237,432</u>	<u>282,002</u>	<u>390,736</u>
Notes Receivables at Amortized Cost . . . . .	12m ECL	—	13,992	12,121
Notes Receivables at FVOCI . . . . .	12m ECL	1,100	8,676	28,753
Other Receivables . . . . .	12m ECL	<u>10,281</u>	<u>13,282</u>	<u>5,490</u>

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired trade receivables which are assessed based on a collective basis under lifetime ECL model and those assessed on an individual basis. Credit-impaired debtor with gross carrying amount of approximately RMB21,346,000, RMB11,631,000 and RMB1,138,000 for the years ended December 31, 2023, 2024 and 2025, respectively was assessed individually.

Internal credit rating	As at December 31,					
	2023		2024		2025	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Low risk . . . . .	5%	215,771	5%	270,151	5%	388,924
Watch list . . . . .	31%	315	49%	220	31%	674
Loss . . . . .	72%	21,346	100%	11,631	100%	1,138
		<u>237,432</u>	<u>282,002</u>	<u>390,736</u>		

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (collective assessment, not credit impaired)	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2022 and				
January 1, 2023 . . . . .	12,323	573	22,087	34,983
Impairment losses reversed . . . . .	(1,815)	(475)	(6,637)	(8,927)
Loss allowance write-off . . . . .	–	(1)	–	(1)
Exchange adjustments . . . . .	280	–	–	280
At December 31, 2023 and				
January 1, 2024 . . . . .	10,788	97	15,450	26,335
Impairment losses recognised/(reversed) . . . . .	2,480	29	(3,819)	(1,310)
Loss allowance write-off . . . . .	(1)	(17)	–	(18)
Exchange adjustments . . . . .	241	–	–	241
At December 31, 2024 and				
January 1, 2025 . . . . .	13,508	109	11,631	25,248
Impairment losses recognised/(reversed) . . . . .	6,408	113	(158)	6,363
Loss allowance write-off . . . . .	–	(14)	(10,335)	(10,349)
Exchange adjustments . . . . .	(469)	–	–	(469)
At December 31, 2025 . . . . .	<u>19,447</u>	<u>208</u>	<u>1,138</u>	<u>20,793</u>

The Group makes full provision for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Movements in the loss allowance account in respect of other receivables during Track Record Period are in Note 22.

### 3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The tables below analyze the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2023						
Trade and notes payables . . . . .	115,467	–	–	–	115,467	115,467
Accruals and other payables (excluding non-financial liabilities) . . . . .	53,396	–	–	–	53,396	53,396
Lease liabilities . . . . .	1,798	840	2,520	2,310	7,468	6,496
Borrowings . . . . .	52,608	13,629	91,987	–	158,224	145,050
	<u>223,269</u>	<u>14,469</u>	<u>94,507</u>	<u>2,310</u>	<u>334,555</u>	<u>320,409</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at December 31, 2024</b>						
Trade and notes payables . . . . .	207,578	–	–	–	207,578	207,578
Accruals and other payables (excluding non-financial liabilities) . . . . .	59,536	–	–	–	59,536	59,536
Other current liabilities (excluding non-financial liabilities) . . . . .	518	–	–	–	518	518
Lease liabilities . . . . .	3,571	3,418	3,518	1,470	11,977	11,025
Borrowings . . . . .	99,265	58,843	31,924	–	190,032	182,298
	<b>370,468</b>	<b>62,261</b>	<b>35,442</b>	<b>1,470</b>	<b>469,641</b>	<b>460,955</b>
<b>As at December 31, 2025</b>						
Trade and notes payables . . . . .	266,229	–	–	–	266,229	266,229
Accruals and other payables (excluding non-financial liabilities) . . . . .	85,423	–	–	–	85,423	85,423
Other current liabilities (excluding non-financial liabilities) . . . . .	409	–	–	–	409	409
Lease liabilities . . . . .	2,985	2,028	2,520	630	8,163	8,057
Borrowings . . . . .	331,128	55,762	40,490	–	427,380	416,562
	<b>686,174</b>	<b>57,790</b>	<b>43,010</b>	<b>630</b>	<b>787,604</b>	<b>776,680</b>

The interest rate of borrowings and lease liabilities are disclosed in Note 26 and Note 17, respectively.

### 3.4 Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt or raise additional funding from shareholders or banks as and when necessary. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023, 2024 and 2025.

The Group monitors capital on the basis of the debt to asset ratio as at December 31, 2023, 2024 and 2025 are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets . . . . .	1,127,902	1,307,195	1,733,740
Total liabilities . . . . .	388,369	534,948	875,930
Debt to asset ratio . . . . .	34.4%	40.9%	50.5%

### 3.5 Fair Value Estimation

#### (a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### The Group

As at December 31, 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income . . . .				
– Notes receivables at FVOCI (Note 14) . . . .	–	–	1,100	1,100
<b>As at December 31, 2024</b>	<b>Level 1</b> <b>RMB'000</b>	<b>Level 2</b> <b>RMB'000</b>	<b>Level 3</b> <b>RMB'000</b>	<b>Total</b> <b>RMB'000</b>
Financial assets at fair value through other comprehensive income . . . .				
– Notes receivables at FVOCI (Note 14) . . . .	–	–	8,676	8,676
<b>As at December 31, 2025</b>	<b>Level 1</b> <b>RMB'000</b>	<b>Level 2</b> <b>RMB'000</b>	<b>Level 3</b> <b>RMB'000</b>	<b>Total</b> <b>RMB'000</b>
Financial assets at fair value through other comprehensive income . . . .				
– Notes receivables at FVOCI (Note 14) . . . .	–	–	28,753	28,753
Other financial assets at fair value through other comprehensive income . . . .	–	–	20,783	20,783
	–	–	49,536	49,536
<b>The Company</b>				
<b>As at December 31, 2023</b>	<b>Level 1</b> <b>RMB'000</b>	<b>Level 2</b> <b>RMB'000</b>	<b>Level 3</b> <b>RMB'000</b>	<b>Total</b> <b>RMB'000</b>
Financial assets at fair value through other comprehensive income . . . .				
– Notes receivables at FVOCI (Note 14) . . . .	–	–	100	100

(b) *The Group's Valuation Process*

For the financial assets and financial liabilities, including level 3 fair values, the Group's finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

(c) *The changes in Level 3 assets are analyzed below:*

	Equity investments on unlisted entities at FVOCI (i)	Trade Receivables at FVOCI (ii)	Notes receivables at FVOCI (iii)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2023 . . . . .	–	37,560	–	37,560
(Disposals)/additions . . . . .	–	(39,537)	1,100	(38,437)
Changes in fair value through profit or loss . . . . .	–	1,977	–	1,977
Closing balance as at 31 December 2023 . . . . .	–	–	1,100	1,100
Additions . . . . .	–	–	7,576	7,576
Closing balance as at 31 December 2024 . . . . .	–	–	8,676	8,676
Additions . . . . .	21,086	–	20,077	41,163
Changes in fair value through other comprehensive income . . . . .	(303)	–	–	(303)
Closing balance as at 31 December 2025 . . . . .	20,783	–	28,753	49,536

- (i) The fair values of unlisted equity instruments at FVOCI as at December 31, 2025 has been arrived with reference to the valuation carried out on the date by an independent qualified professional valuer not connected to the Group, using discounted cash flow method.
- (ii) The fair values of Trade receivables at FVOCI as at December 31, 2023, 2024 and 2025 were based on assumptions about risk of default and expected loss rates to determine the expected loss. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation.
- (iii) The fair value of bank acceptance notes receivables measured at FVOCI have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Given that the maturities are of a short-term nature, the impact of fair value changes is immaterial.

(d) Valuation Inputs and Relationships to Fair Value

Description	Fair value As at December 31,			Valuation techniques	Significant unobservable input(s)	Range of inputs	Relationship of unobservable input(s) to fair values
	2023	2024	2025				
	RMB'000	RMB'000	RMB'000				
Notes receivables at FVOCI . . . . .	1,100	8,676	28,753	Discounted cash flow method	Discount rate	1.55% to 1.83%	An increase in discount rate would result in decrease in fair value, and vice versa.
Unlisted equity investments at FVOCI . . . . .	-	-	20,783	Discounted cash flow method	Discount rate	12.32%	An increase in discount rate would result in decrease in fair value, and vice versa.

(i) Other than described above, there were no significant unobservable inputs that materially affect its fair values.

If the discount rate used had been 5% higher/lower for equity instruments measured at FVOCI, the other comprehensive income for the year ended December 31, 2025 would have been approximately RMB1,556,000 lower or RMB1,729,000 higher, respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

(a) Allowance for Expected Credit Loss of Receivables

Except for certain trade receivables from customers with specific credit risk that management adopts an individual impairment assessment approach, the Group uses a provision matrix to calculate ECLs for trade receivables. The loss allowances for receivables are based on assumptions about risk of default and expected loss rates to determine the expected loss. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese mainland and abroad. The Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(b) Estimated Net Realizable Value of Inventories

In accordance with the Group's accounting policy, the Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work-in-progress, management has established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

It is reasonably possible that if there is a significant change in circumstances including the Group's business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets — Estimated Useful Lives and Residual Values

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) **Income Tax and Deferred Taxation**

Estimation and judgment are required in determining the amount of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact on the income tax and deferred taxation provisions in the period in which such determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group's results or financial position.

5. **OPERATING SEGMENT INFORMATION**

(a) **Description of Segments and Principal Activities**

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The executive directors assess the financial performance and position of the Group and make strategic decisions. The executive directors, which has been identified as being the CODM, consists of the executive director, the chief financial officer and the managers for each business unit. The CODM review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segment based on these reports.

For management purposes, the Group operates in one business unit based on its products and services, and has one reportable segment being the segment which principally engages in the development and commercialization of e-paper display modules.

(b) **Revenue from external customers**

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>			
At a point in time . . . . .			
– Sale of goods . . . . .	1,013,912	1,143,296	1,702,832
– Others (i) . . . . .	6,380	3,890	7,639
Other revenue (ii) . . . . .	3,906	4,370	2,510
	<u>1,024,198</u>	<u>1,151,556</u>	<u>1,712,981</u>

(i) Others mainly represents sales of raw materials.

(ii) Other revenue represents lease income.

(c) **Revenue from Major Customers**

The major customer who contributed 10% or more of the Group's revenue for the years ended December 31, 2023, 2024 and 2025 is set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Solum and its affiliates . . . . .	519,631	417,705	495,114
Customer B . . . . .	170,627	190,646	324,183
Customer F . . . . .	119,657	N/A*	N/A*
Customer A . . . . .	N/A*	168,410	605,584

\* Less than 10% of the Group's revenue in the respective years.

(d) **Geographical Information**

The Company is domiciled in Chinese mainland. The amount of the Group's revenue from contracts with customers by location is shown in the table below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland . . . . .	272,824	422,716	942,171
Vietnam . . . . .	519,661	417,308	546,402
Other Asian countries and regions (i) . . . . .	161,302	141,560	70,511
Europe . . . . .	69,576	169,035	134,202
Others . . . . .	835	937	19,695
	<u>1,024,198</u>	<u>1,151,556</u>	<u>1,712,981</u>

(i) Other Asian countries and regions included Hong Kong, India, Japan, Malaysia, Singapore, South Korea, Sri Lanka, the Taiwan region of China and United Arab Emirates.

(e) **Contract Liabilities**

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities . . . . .	<u>363</u>	<u>742</u>	<u>14,729</u>

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the year, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the beginning balance . . . . .	<u>775</u>	<u>358</u>	<u>715</u>

Management expects that the unsatisfied obligation of RMB358,000, RMB715,000 and RMB14,729,000 as at December 31, 2023, 2024 and 2025, respectively, will be recognized as revenue during the next twelve months.

(f) **Accounting Policies and Significant Judgments for Revenue Recognition**

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional, before the Company transfers goods or services to the customer, the Company presents the contract liability when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

(g) **Products revenue**

The Group are principally engaged in the R&D, design, production, and sales of electronic paper display modules.

Revenue from domestic sales of products shall be recognized based on the sales contracts, settlement vouchers and other documents generally upon the completion of products delivery and arriving to the named place of destination and acceptance by the customers. Upon confirming the acceptance, the customer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from oversea sales of products shall be recognized based on the sales contracts, customs declaration form, bill of lading, and other documents upon completion of customs declaration or shipping out of the port and arriving to the named port or place of destination. Upon the completion of customs declaration and obtaining the bill of lading or arrival to the named port or place of destination, the customer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

6. **OTHER INCOME**

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants . . . . .	13,208	7,707	7,137
Interest income (i) . . . . .	40	107	10
Others . . . . .	21	40	79
	<u>13,269</u>	<u>7,854</u>	<u>7,226</u>

(i) The amount mainly comprises interest income on the Group's term deposits with a maturity of over three months. Interest income from cash and cash equivalent is included in "Finance (costs)/income, net" (Note 10).

7. **EXPENSE BY NATURE**

Expenses included in cost of sales, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of inventories sold (i) . . . . .	752,077	867,475	1,241,817
Employee benefit expenses (Note 9) . . . . .	126,561	133,192	200,783
Depreciation and amortisation . . . . .	25,609	31,343	38,451
Impairment losses on inventories . . . . .	23,474	9,830	16,810
Utility costs . . . . .	12,220	10,963	20,359
Commission expenses . . . . .	11,486	9,663	11,048
Transportation costs . . . . .	3,799	6,259	9,756
Office expenses . . . . .	4,843	4,712	6,468
Marketing, conference and traveling expenses . . . . .	5,510	6,960	9,544
Taxes and Surcharges . . . . .	4,885	4,405	4,295
Professional services and other consulting fees . . . . .	8,238	3,096	3,392
Listing expenses . . . . .	—	—	12,045
Insurance premium . . . . .	2,661	3,277	3,054
Outsourced R&D . . . . .	1,050	6,584	8,289
Auditor's remuneration . . . . .	969	529	972
Rental expenses for short-term leases and leases of low-value asset . . . . .	727	300	310
Other expenses . . . . .	4,366	7,973	13,500
	<u>988,475</u>	<u>1,106,561</u>	<u>1,600,893</u>

(i) The amount of cost of inventories sold as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, impairment of inventories, employee benefit expenses, short-term lease expenses and transportation expenses.

8. OTHER GAINS/(LOSSES), NET

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange differences . . . . .	4,896	2,584	(4,182)
Donations . . . . .	(50)	–	–
Penalties . . . . .	–	–	(1,776)
Net losses on disposal of property, plant and equipment and other long-term assets . . . . .	–	(111)	(552)
Others . . . . .	(260)	(207)	(860)
	<u>4,586</u>	<u>2,266</u>	<u>(7,370)</u>

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION)

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses . . . . .	93,752	104,261	154,825
Share-based compensation expenses . . . . .	5,891	2,186	5,920
Housing fund, medical insurance and other social insurance . . . . .	9,849	10,515	15,397
Pension costs (i) . . . . .	8,793	10,394	15,610
Other employee benefits . . . . .	8,276	5,836	9,031
	<u>126,561</u>	<u>133,192</u>	<u>200,783</u>

(i) The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

During the years ended December 31, 2023, 2024 and 2025, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

(a) **Directors' and Supervisors' Remuneration**

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended December 31, 2023	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors:						
Ms. Wang Yang (ix) . . . . .	-	-	-	-	-	-
Mr. Li Zhongliang (ix) . . . . .	-	-	-	-	-	-
Mr. Liu Yu (ix) . . . . .	-	-	-	-	-	-
Mr. Ouyang Lingxiao (ix) . . . . .	-	-	-	-	-	-
Executive directors:						
Mr. Zhou Aijun . . . . .	-	588	61	68	-	717
Mr. Wang Wenliang . . . . .	-	471	38	62	-	571
Independent non-executive directors:						
Mr. Zeng Aimin . . . . .	80	-	-	-	-	80
Mr. Fu Rong . . . . .	80	-	-	-	-	80
Mr. Gu Zhihua . . . . .	80	-	-	-	-	80
Supervisors:						
Mr. Li Mengyang (ix) . . . . .	-	-	-	-	-	-
Mr. Zhao Shouyang . . . . .	-	356	38	55	87	536
Ms. Xie Liyuan . . . . .	-	251	34	37	111	433
Total . . . . .	240	1,666	171	222	198	2,497

Year ended December 31, 2024	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors:						
Ms. Wang Yang (ix) . . . . .	-	-	-	-	-	-
Mr. Li Zhongliang (i)(ix) . . . . .	-	-	-	-	-	-
Mr. Liu Yu (ix) . . . . .	-	-	-	-	-	-
Mr. Ouyang Lingxiao (ix) . . . . .	-	-	-	-	-	-
Mr. Wang Xiao (ii)(ix) . . . . .	-	-	-	-	-	-
Executive directors:						
Mr. Zhou Aijun . . . . .	-	605	80	70	-	755
Mr. Wang Wenliang . . . . .	-	514	43	67	-	624
Independent non-executive directors:						
Mr. Zeng Aimin . . . . .	80	-	-	-	-	80
Mr. Fu Rong . . . . .	80	-	-	-	-	80
Mr. Gu Zhihua . . . . .	80	-	-	-	-	80
Supervisors:						
Mr. Li Mengyang (ix) . . . . .	-	-	-	-	-	-
Mr. Zhao Shouyang . . . . .	-	361	40	56	38	495
Ms. Xie Liyuan . . . . .	-	275	38	40	48	401
Total . . . . .	240	1,755	201	233	86	2,515

Year ended December 31, 2025	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-executive directors:</b>						
Ms. Wang Yang (ix) . . . . .	-	-	-	-	-	-
Mr. Ouyang Lingxiao (ix) . . . . .	-	-	-	-	-	-
Mr. Liu Yu (ix) . . . . .	-	-	-	-	-	-
Mr. Wang Xiao (ix) . . . . .	-	-	-	-	-	-
Mr. Di Chen (iv)(ix) . . . . .	-	-	-	-	-	-
<b>Executive directors:</b>						
Mr. Zhou Aijun . . . . .	-	826	85	74	-	985
Mr. Wang Wenliang . . . . .	-	632	47	68	-	747
<b>Independent non-executive directors:</b>						
Mr. Zeng Aimin . . . . .	80	-	-	-	-	80
Mr. Fu Rong (v) . . . . .	80	-	-	-	-	80
Mr. Gu Zhihua (vi) . . . . .	80	-	-	-	-	80
Mr. Zhou Guofu (vii) . . . . .	27	-	-	-	-	27
Mr. Ruan Tianshi (viii) . . . . .	60	-	-	-	-	60
<b>Supervisors:</b>						
Mr. Li Mengyang (ix)(x) . . . . .	-	-	-	-	-	-
Mr. Zhao Shouyang (x) . . . . .	-	337	31	44	36	448
Ms. Xie Liyuan (x) . . . . .	-	234	31	32	45	342
<b>Total . . . . .</b>	<b>327</b>	<b>2,029</b>	<b>194</b>	<b>218</b>	<b>81</b>	<b>2,849</b>

- (i) Mr. Li Zhongliang resigned as a non-executive director of the Company on October 9, 2024 for personal development.
- (ii) Mr. Wang Xiao was appointed as a non-executive director of the Company with effect from October 9, 2024.
- (iii) Mr. Ouyang Lingxiao resigned as a non-executive director of the Company on June 30, 2025 for personal development.
- (iv) Mr. Di Chen was appointed as a non-executive director of the Company with effect from June 30, 2025.
- (v) Mr. Fu Rong resigned as an independent non-executive director of the Company on 6 September 2025 for personal development.
- (vi) Mr. Gu Zhihua resigned as an independent non-executive director of the Company on 6 September 2025 for personal development.
- (vii) Mr. Zhou Guofu was appointed as an independent non-executive director of the Company with effect from 6 September, 2025.
- (viii) Mr. Ruan Tianshi was appointed as an independent non-executive director of the Company with effect from 6 September, 2025.
- (ix) These non-executive directors and supervisors did not receive any remuneration from the Group in relation to his services rendered for the Group.
- (x) These Supervisors were no longer Supervisors since 6 September 2025, as the Company abolished its Supervisory Board and the role of Supervisor.

(b) **Directors' and Supervisors' Other Benefits**

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 38, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

(c) **Five Highest Paid Individuals**

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2023, 2024 and 2025 include nil, nil and 1 directors respectively whose emoluments are reflected in the analysis shown in Note 9(a) above. The emoluments paid to the remaining 5, 5 and 4 individuals during the years ended December 31, 2023, 2024 and 2025, respectively, are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses and benefits in kind (including contributions to pension plans) . . . . .	3,301	3,903	2,478
Share-based payments . . . . .	2,786	1,077	2,632
	<u>6,087</u>	<u>4,980</u>	<u>5,110</u>

Details of the remuneration of the five highest paid employees who are neither a director nor a supervisor of the Company during the Track Record Period are as follows:

	Year ended December 31,		
	2023	2024	2025
HKD1 to HKD500,000 . . . . .	–	–	–
HKD500,001 to HKD1,000,000 . . . . .	2	3	–
HKD1,000,001 to HKD1,500,000 . . . . .	1	2	2
HKD1,500,001 to HKD2,000,000 . . . . .	1	–	2
HKD2,000,001 to HKD2,500,000 . . . . .	1	–	–
	<u>5</u>	<u>5</u>	<u>4</u>

10. **FINANCE (COSTS)/INCOME, NET**

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Finance income:</b>			
Interest income from financial assets held for cash management purposes . . . . .	4,616	5,826	971
<b>Finance costs:</b>			
Interest expenses on lease liabilities . . . . .	(360)	(347)	(318)
Interest expenses on bank borrowings . . . . .	(7,839)	(5,955)	(7,978)
Losses on the discounting of other financial assets at FVOCI . . . . .	(1,681)	(981)	(1,370)
Net exchange (losses)/gains on foreign currency borrowings . . . . .	259	–	–
Less: capitalized finance costs (i) . . . . .	1,041	–	–
Finance costs total . . . . .	<u>(8,580)</u>	<u>(7,283)</u>	<u>(9,666)</u>
Finance (costs)/income, net . . . . .	<u>(3,964)</u>	<u>(1,457)</u>	<u>(8,695)</u>

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's specific borrowings during the year, which was 4.81% for 2023.

## 11. INCOME TAX EXPENSE

The income tax expense of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax . . . . .	6,304	5,492	12,791
Deferred income tax . . . . .	746	(4,223)	4,076
	<u>7,050</u>	<u>1,269</u>	<u>16,867</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

### (a) PRC Corporate Income Tax

In accordance with the relevant regulations of the Enterprise Income Tax laws (the "EIT Law") of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

During the Track Record Period, one subsidiary of the Group was certified as a High and New Technology Enterprise ("HNTE") in December 2022 with validity until December 2025. The subsidiary has reapplied successfully and obtained the new certificate on December 25, 2025. Accordingly, the subsidiary applies the preferential CIT rate of 15% for the Track Record Period based on the expected re-grant of HNTE certification.

One subsidiary of the Group obtained High and New Technology Enterprises certification ("HNTE") in 2024 and hence it was entitled to a preferential CIT rate of 15% for the years ended December 31, 2024 and 2025.

This qualification is subject to review by the relevant tax authority in the PRC for every three years.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction for research and development").

### (b) Hong Kong Profits Tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2023, 2024 and 2025.

### (c) Vietnam Profits Tax

One subsidiary of the Group in Vietnam is subject to Corporate Income Tax ("CIT") at the standard rate of 20%. The subsidiary qualified as a small enterprise (with annual revenue exceeding VND 3 billion but not exceeding VND 50 billion in the preceding year) and therefore applied a preferential CIT rate of 17%. The subsidiary is entitled to a tax exemption for the first two years, commencing from the first year of generating taxable income, and a 50% reduction for the next four years.

No provision for the Vietnam Corporate Tax has been made for the years ended 31 December 2024 and 2025 as the Vietnam subsidiary has no assessable profits for both reporting periods.

### (d) OECD Pillar Two Model Rules

Amendments to IAS 12 "International Tax Reform — Pillar Two Model Rules" were issued on May 23, 2023 which are effective upon issuance and require retrospective application. The amendments provide a temporary exception from deferred tax accounting for the income tax arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development ("OECD").

The Group is within the scope of global minimum tax under the OECD Pillar Two model rules ("Pillar Two"). Subject to tax legislation enacting Pillar Two Being passed in the jurisdictions where the Company and its subsidiaries operate, the Group is liable to pay a top-up tax for any deficiency between the minimum tax rate of 15% and the effective tax rate per respective jurisdiction. The Group applies the IAS 12 exception to recognition and disclosure information about deferred tax assets and liabilities relating to Pillar Two income taxes.

For those jurisdictions where the Pillar Two legislation was enacted but not effective at the reporting date, the Group has no related current tax exposure. However, a subsidiary of the Company is located in Vietnam, where Pillar Two legislation has been effective since 1 January 2024, and the Group's assessment indicates that there is no material related current tax exposure in this jurisdiction for the years ended December 31, 2024, and 2025.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before income tax . . . . .	57,789	54,673	97,095
Income tax calculated at the domestic rates applicable to profits in the country concerned	14,447	13,668	24,274
Tax effect of:			
Preferential income tax rates applicable to the subsidiaries . . . . .	(2,806)	(4,960)	(9,099)
Non-deductible expenses for tax purposes . . . . .	3,268	695	1,703
Tax losses and other temporary differences not recognized as deferred tax assets (Note 20) . . . . .	2,775	3,484	9,726
Super deduction for research and development expenses . . . . .	(8,045)	(10,521)	(10,143)
Income not subject to tax . . . . .	(1,373)	(448)	(113)
Utilization of previously unrecognized tax losses and temporary difference . . . . .	(731)	-	-
Adjustments in respect of current tax of previous periods . . . . .	-	(427)	713
Others . . . . .	(485)	(222)	(194)
	<u>7,050</u>	<u>1,269</u>	<u>16,867</u>

12. DIVIDENDS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interim dividends in respect of current year, declared and paid during the year (i) . . . . .	-	23,033	-
Total . . . . .	<u>-</u>	<u>23,033</u>	<u>-</u>

(i) Interim dividends attributable to owners of the Company in 2024 is RMB0.50 yuan per share (tax inclusive), was approved by the shareholder in the extraordinary general meeting.

13. EARNINGS PER SHARE

(a) Basic Earnings per Share

The calculation of basic earnings per share is based on the following:

	Year ended December 31,		
	2023	2024	2025
Profit attributable to ordinary shareholders of the Company (RMB'000) . . . . .	50,739	53,404	80,493
Weighted average number of ordinary shares in issue (thousands) . . . . .	46,067	46,067	46,067
Basic EPS (RMB per share) . . . . .	<u>1.10</u>	<u>1.16</u>	<u>1.75</u>

(b) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary share.

For the years ended December 31, 2023, 2024 and 2025, the diluted earnings per share equal to basic earnings per share as there was no potential ordinary share in issue.

14. FINANCIAL INSTRUMENTS MEASURED AT FVOCI

(a) Financial instruments at FVOCI

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Non-current:</b>			
– Equity instruments at FVOCI (i) . . . . .	–	–	20,783
<b>Current:</b>			
– Notes receivables at FVOCI (ii) . . . . .	1,100	8,676	28,753
	<u>1,100</u>	<u>8,676</u>	<u>49,536</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Current:</b>			
– Notes receivables at FVOCI (ii) . . . . .	100	–	–

- (i) The above equity instruments were irrecoverably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.
- (ii) For cash management purposes, the Group derecognized part of its trade receivables through non-recourse forfeiting arrangements, as well as discounted and endorsed part of bank acceptance notes that qualified for derecognition. These trade and notes receivables were classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cash flows and selling.

15. SUBSIDIARIES

During the Track Record Period, the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital	Equity interest held by the Company						Principal activities	
			As at December 31,							
			2023		2024		2025			
			Direct	Indirect	Direct	Indirect	Direct	Indirect		
			'000							
1	DKE (Fushen) Company Limited (浙江富申科技有限公司) . . . . .	PRC, limited liability company	RMB30,000	–	100%	–	100%	–	100%	R&D, manufacturing, processing and sales of e-paper display modules
2	DKE (Fuyong) Company Limited (浙江富涌电子科技有限 公司) . . . . .	PRC, limited liability company	RMB100,000	100%	–	100%	–	100%	–	R&D, manufacturing, processing and sales of e-paper display modules
3	DKE (Lougning) Company Limited (大连隆宁科技有限公司) . . . . .	PRC, limited liability company	RMB40,000	100%	–	100%	–	100%	–	R&D, manufacturing, processing and sales of e-paper display modules
4	DKE (Shanghai) Company Limited (東方科盛(上海)科技 有限公司) . . . . .	PRC, limited liability company	RMB30,000	100%	–	100%	–	100%	–	R&D and sales of e-paper display modules; provision of technical services

Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital	Equity interest held by the Company						Principal activities	
			As at December 31,							
			2023		2024		2025			
Direct	Indirect	Direct	Indirect	Direct	Indirect					
		'000								
5	DKE Company Limited (浙江東方科脈科技 有限公司) . . . . .	PRC, limited liability company	RMB30,000	100%	-	100%	-	100%	-	Procurement and sales of e-paper display modules and their raw materials
6	Zhejiang Fufang Electronic Technology Co., Ltd. (浙江富方電子科技有 限公司) . . . . .	PRC, limited liability company	RMB20,000	100%	-	100%	-	100%	-	No substantive business
7	DKE (Longyong) Company Limited (龍甯(上海)貿易 有限公司) (a) . . . . .	PRC, limited liability company	RMB1,000	-	-	90%	10%	90%	10%	Sales of e-paper display modules
8	DKE (Hong Kong) Co., Limited (東方科脈(香港)國際 有限公司) . . . . .	HK, limited liability company	USD13,000	-	100%	-	100%	-	100%	Procurement and overseas sales of e-paper display modules and their raw materials
9	DKE (Vietnam) International Company Limited (b) . . .	Vietnam, limited liability company	VND 72,210,000	-	-	-	100%	-	100%	Manufacturing, processing and sales of e-paper display modules

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

Name of subsidiary	Name of statutory auditors		
	2023	2024	2025
1 DKE (Fushen) Company Limited (浙江富申科技有限公司) (e) . . .	Zhejiang Yaixin Certified Public Accountants Co., Ltd.	Zhejiang Yaixin Certified Public Accountants Co., Ltd.	-
2 DKE (Fuyong) Company Limited (浙江富湧電子科技 有限公司) (e) . . . . .	Zhejiang Yaixin Certified Public Accountants Co., Ltd.	Zhejiang Yaixin Certified Public Accountants Co., Ltd.	-
3 DKE (Longning) Company Limited (大連龍寧科技 有限公司) (e) . . . . .	Liaoning Huasheng Certified Public Accountants Co., Ltd.	Zhongxi Certified Public Accounts LLP Dalian Branch	-
4 DKE (Shanghai) Company Limited (東方科脈(上海) 科技有限公司) (d)(e) . . . . .	-	Zhejiang Yaixin Certified Public Accountants Co., Ltd.	-
5 DKE Company Limited (浙江東方科脈科技 有限公司) (c) . . . . .	-	-	-
6 Zhejiang Fufang Electronic Technology Co., Ltd. (浙江富方電子科技 有限公司) (c) . . . . .	-	-	-
7 DKE (Longyong) Company Limited (龍甯(上海)貿易 有限公司) (a) . . . . .	-	-	-

Name of subsidiary	Name of statutory auditors		
	2023	2024	2025
8 DKE (HONG KONG) Company Limited (東方科聯(香港)國際有限公司) . . . . .	RICH MORAL CPA LIMITED	Confucius International CPA Limited	Confucius International CPA Limited
9 DKE (Vietnam) International Company Limited (b) . . . . .	-	Thang Long — T,D,K Auditing and Valuation Co., Ltd — Ha Thanh branch	Cong Ty TNHH Kiem Toan Tu Van AAGroup
(a)	The entity was established in 2024 and has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2024 and 2025.		
(b)	The entity was established in 2024.		
(c)	These entities has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2023, 2024 and 2025.		
(d)	This entity has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2023.		
(e)	The statutory auditors of these entities for the year ended December 31,2025 have not yet been appointed.		
(f)	The English names of the Chinese mainland companies are direct translation or transliteration of their Chinese registered names.		

The Company

*Investments in subsidiaries*

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deemed investments relating to share-based payments . . . . .	15,038	16,780	25,112
Investments in subsidiaries . . . . .	190,000	200,900	200,900
	<b>205,038</b>	<b>217,680</b>	<b>226,012</b>

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Office equipment	Plant and machinery	Motor vehicles	Construction In progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2023</b>							
Cost . . . . .	120,066	3,440	104,307	2,173	114,110	6,996	351,092
Accumulated depreciation . . . . .	(11,763)	(1,153)	(29,157)	(1,490)	–	(2,187)	(45,752)
Carrying amounts . . . . .	<u>108,303</u>	<u>2,285</u>	<u>75,150</u>	<u>683</u>	<u>114,110</u>	<u>4,809</u>	<u>305,340</u>
Opening carrying amounts . . . . .	108,303	2,285	75,150	683	114,110	4,809	305,340
Additions . . . . .	–	351	19	390	48,617	6,706	56,083
Transfers from construction in progress . . . . .	129,012	6,852	22,639	–	(158,503)	–	–
Depreciation charges . . . . .	(8,959)	(1,087)	(9,865)	(361)	–	(1,311)	(21,583)
Closing carrying amounts . . . . .	<u>228,356</u>	<u>8,401</u>	<u>87,943</u>	<u>712</u>	<u>4,224</u>	<u>10,204</u>	<u>339,840</u>
<b>At December 31, 2023</b>							
Cost . . . . .	249,078	10,643	126,965	2,563	4,224	13,702	407,175
Accumulated depreciation . . . . .	(20,722)	(2,242)	(39,022)	(1,851)	–	(3,498)	(67,335)
Carrying amounts . . . . .	<u>228,356</u>	<u>8,401</u>	<u>87,943</u>	<u>712</u>	<u>4,224</u>	<u>10,204</u>	<u>339,840</u>
	Buildings	Office equipment	Plant and machinery	Motor vehicles	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2024</b>							
Cost . . . . .	249,078	10,643	126,965	2,563	4,224	13,702	407,175
Accumulated depreciation . . . . .	(20,722)	(2,242)	(39,022)	(1,851)	–	(3,498)	(67,335)
Carrying amounts . . . . .	<u>228,356</u>	<u>8,401</u>	<u>87,943</u>	<u>712</u>	<u>4,224</u>	<u>10,204</u>	<u>339,840</u>
Opening carrying amounts . . . . .	228,356	8,401	87,943	712	4,224	10,204	339,840
Additions . . . . .	890	207	106	28	71,320	1,403	73,954
Transfers from construction in progress . . . . .	1,567	1,235	7,855	–	(10,657)	–	–
Transfers to construction in progress . . . . .	–	–	(2,292)	–	2,292	–	–
Disposals and others . . . . .	–	(9)	(140)	–	–	(593)	(742)
Depreciation charges . . . . .	(11,900)	(2,293)	(10,381)	(297)	–	(2,300)	(27,171)
Closing carrying amounts . . . . .	<u>218,913</u>	<u>7,541</u>	<u>83,091</u>	<u>443</u>	<u>67,179</u>	<u>8,714</u>	<u>385,881</u>
<b>At December 31, 2024</b>							
Cost . . . . .	251,535	12,045	131,446	2,591	67,179	14,512	479,308
Accumulated depreciation . . . . .	(32,622)	(4,504)	(48,355)	(2,148)	–	(5,798)	(93,427)
Carrying amounts . . . . .	<u>218,913</u>	<u>7,541</u>	<u>83,091</u>	<u>443</u>	<u>67,179</u>	<u>8,714</u>	<u>385,881</u>

	Buildings	Office equipment	Plant and machinery	Motor vehicles	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2025</b>							
Cost . . . . .	251,535	12,045	131,446	2,591	67,179	14,512	479,308
Accumulated depreciation . . . . .	(32,622)	(4,504)	(48,355)	(2,148)	-	(5,798)	(93,427)
Carrying amounts . . . . .	<u>218,913</u>	<u>7,541</u>	<u>83,091</u>	<u>443</u>	<u>67,179</u>	<u>8,714</u>	<u>385,881</u>
Opening carrying amounts . . . . .	218,913	7,541	83,091	443	67,179	8,714	385,881
Additions . . . . .	9,089	59	1,639	-	179,290	882	190,959
Transfers from construction in progress . . . . .	56,442	2,408	181,774	-	(240,624)	-	-
Transfers to construction in progress . . . . .	-	-	(16,309)	-	16,309	-	-
Disposals and others . . . . .	-	(5)	(914)	-	-	-	(919)
Currency translation differences . . . . .	(627)	(8)	(798)	-	(499)	-	(1,932)
Depreciation charges . . . . .	(12,790)	(2,578)	(15,999)	(103)	-	(2,456)	(33,926)
Closing carrying amounts . . . . .	<u>271,027</u>	<u>7,417</u>	<u>232,484</u>	<u>340</u>	<u>21,655</u>	<u>7,140</u>	<u>540,063</u>
<b>At December 31, 2025</b>							
Cost . . . . .	316,424	14,459	279,235	2,591	21,655	15,475	649,839
Accumulated depreciation . . . . .	(45,397)	(7,042)	(46,751)	(2,251)	-	(8,335)	(109,776)
Carrying amounts . . . . .	<u>271,027</u>	<u>7,417</u>	<u>232,484</u>	<u>340</u>	<u>21,655</u>	<u>7,140</u>	<u>540,063</u>

- (a) Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Buildings . . . . .	20 years
Plant and machinery . . . . .	3-10 years
Office equipment . . . . .	3-10 years
Motor vehicles . . . . .	4-5 years
Leasehold improvements . . . . .	Shorter of their useful lives and lease terms

See Note 40 for the other accounting policies relevant to property, plant and equipment.

- (b) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales . . . . .	13,703	14,814	20,640
General and administrative expenses . . . . .	6,659	10,394	10,971
Research and development expenses . . . . .	1,146	1,887	2,268
Selling and marketing expenses . . . . .	75	76	47
	<u>21,583</u>	<u>27,171</u>	<u>33,926</u>

- (c) The Group has pledged buildings with carrying amount of approximately RMB213,933,000, RMB218,479,000 and RMB206,702,000 as at December 31, 2023, 2024 and 2025, respectively to secure bank borrowings (Note 26(b)) granted to the Group.

As at December 31, 2023, 2024 and 2025, the Group was still in the process of applying for the ownership certificates for buildings and structures with a total carrying amount of RMB450,000, RMB425,000 and RMB55,591,000, respectively.

17. LEASE

17.1 The Group as the lessee

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Right-of-use assets</b>			
Land use right . . . . .	41,906	47,991	46,747
Buildings . . . . .	6,671	10,968	6,446
	<u>48,577</u>	<u>58,959</u>	<u>53,193</u>
<b>Lease liabilities</b>			
Current . . . . .	1,560	3,218	3,241
Non-current . . . . .	4,936	7,807	4,816
	<u>6,496</u>	<u>11,025</u>	<u>8,057</u>

- (i) Additions to the right-of-use assets during the years ended December 31, 2023, 2024 and 2025 were approximately RMB160,000, RMB14,377,000 and nil, respectively.
- (ii) The Group has pledged land use right with carrying amount of approximately RMB34,992,000, RMB40,979,000 and RMB40,051,000 as at December 31, 2023, 2024 and 2025, respectively to secure bank borrowings (Note 26(b)) granted to the Group.
- (b) The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The discount rate used during the years ended December 31, 2023, 2024 and 2025 were ranged from 4.75%, 3.45% to 4.75% and 3.45% to 4.75%.
- (c) Amounts Recognized in the Consolidated Statements of Profit or Loss

The consolidated statements of profit or loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Depreciation charge of right-of-use assets:</b>			
– Land use right . . . . .	927	1,051	1,090
– Buildings . . . . .	3,071	2,945	3,096
	<u>3,998</u>	<u>3,996</u>	<u>4,186</u>

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Interest expense (including in finance cost) . . . . .</b>	360	347	318
<b>Expense relating to short-term and low value leases not included in lease liabilities . . . . .</b>	727	300	310
	<u>1,087</u>	<u>647</u>	<u>628</u>

The total cash outflows for lease payments during the years ended December 31, 2023, 2024 and 2025 were approximately RMB5,911,000, RMB3,367,000 and RMB2,269,000, respectively.

As a lessee, the Group leases properties, offices, and land use rights. Lease contracts typically have fixed terms, ranging from 1 to 10 years for properties and offices, and 43 to 50 years for land use rights. They are stated at cost less accumulated depreciation and accumulated impairment losses.

See Note 40 for the other accounting policies relevant to lease.

17.2 The Group as the lessor

(a) Operating Lease

(i) Lease Income

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease income . . . . .	3,906	4,370	2,510

(ii) Assets leased out under operating leases

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Property, Plant and Equipment .	20,001	18,569	11,983
Land use right . . . . .	5,315	5,189	2,817
	<u>25,316</u>	<u>23,758</u>	<u>14,800</u>

(iii) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	4,352	3,330	1,512
1 to 2 years . . . . .	3,152	3,152	-
2 to 3 years . . . . .	3,152	263	-
3 to 4 years . . . . .	263	-	-
	<u>10,919</u>	<u>6,745</u>	<u>1,512</u>

18. INTANGIBLE ASSETS

The Group

	<u>Software</u>
	<i>RMB'000</i>
<b>At January 1, 2023</b>	
Cost .....	1,676
Accumulated amortization .....	<u>(364)</u>
Carrying amounts .....	<u><u>1,312</u></u>
<b>Year ended December 31, 2023</b>	
Opening carrying amounts .....	1,312
Additions .....	1,239
Amortization charges .....	<u>(246)</u>
Closing carrying amounts .....	<u><u>2,305</u></u>
<b>At December 31, 2023</b>	
Cost .....	2,915
Accumulated amortization .....	<u>(610)</u>
Carrying amounts .....	<u><u>2,305</u></u>
	<u>Software</u>
	<i>RMB'000</i>
<b>At January 1, 2024</b>	
Cost .....	2,915
Accumulated amortization .....	<u>(610)</u>
Carrying amounts .....	<u><u>2,305</u></u>
<b>Year ended December 31, 2024</b>	
Opening carrying amounts .....	2,305
Additions .....	138
Amortization charges .....	<u>(301)</u>
Closing carrying amounts .....	<u><u>2,142</u></u>
<b>At December 31, 2024</b>	
Cost .....	3,053
Accumulated amortization .....	<u>(911)</u>
Carrying amounts .....	<u><u>2,142</u></u>

	<u>Software</u>
	<u>RMB'000</u>
<b>At January 1, 2025</b>	
Cost .....	3,053
Accumulated amortization .....	(911)
<b>Carrying amounts .....</b>	<b><u>2,142</u></b>
<b>Year ended December 31, 2025</b>	
Opening carrying amounts .....	2,142
Additions .....	899
Amortization charges .....	(339)
<b>Closing carrying amounts .....</b>	<b><u>2,702</u></b>
<b>At December 31, 2025</b>	
Cost .....	3,952
Accumulated amortization .....	(1,250)
<b>Carrying amounts .....</b>	<b><u>2,702</u></b>

(a) Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
General and administrative expenses .....	170	171	183
Research and development expenses .....	62	80	92
Cost of sales .....	14	50	64
	<u>246</u>	<u>301</u>	<u>339</u>

(b) Amortization Methods and Periods

(i) *Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Software ..... 10 years

## 19. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

The Group

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Financial assets</b>			
<b>Financial assets measured at fair value:</b>			
Notes receivables at FVOCI ( <i>Note 14</i> ) .....	1,100	8,676	28,753
Equity instruments at FVOCI ( <i>Note 14</i> ) .....	-	-	20,783
<b>Financial assets measured at amortized cost:</b>			
Trade and notes receivables ( <i>Note 21</i> ) .....	211,097	270,746	382,064
Cash and cash equivalents ( <i>Note 25</i> ) .....	206,971	178,355	143,796
Other receivables ( <i>Note 22</i> ) .....	9,486	12,191	4,608
Restricted cash ( <i>Note 25</i> ) .....	8,957	9,164	8,070
	<u>8,957</u>	<u>9,164</u>	<u>8,070</u>

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>			
Financial liabilities measured at amortized cost:			
Borrowings (Note 26) . . . . .	145,050	182,298	416,562
Trade and notes payables (Note 27) . . . . .	115,467	207,578	266,229
Lease liabilities (Note 17) . . . . .	6,496	11,025	8,057
Accruals and other payables (excluding non-financial liabilities) (Note 28) . . . . .	53,396	59,536	85,423
	<u>53,396</u>	<u>59,536</u>	<u>85,423</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 14) . . . . .	100	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents (Note 25) . . . . .	3,096	10,486	305
Trade and notes receivables (Note 21) . . . . .	219	105	40
Other receivables (Note 22) . . . . .	245,265	228,643	222,321
Restricted cash (Note 25) . . . . .	-	462	486
	<u>-</u>	<u>462</u>	<u>486</u>

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>			
Financial liabilities measured at amortized cost:			
Trade and notes payables . . . . .	-	-	-
Accruals and other payables (excluding non-financial liabilities) (Note 28) . . . . .	4,092	2,106	3,440
	<u>4,092</u>	<u>2,106</u>	<u>3,440</u>

20. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gross deferred tax assets . . . . .	19,782	26,231	33,961
Offsetting against deferred tax liabilities . . . . .	(11,152)	(16,140)	(26,175)
Net deferred tax assets . . . . .	<u>8,630</u>	<u>10,091</u>	<u>7,786</u>
Gross deferred tax liabilities . . . . .	13,914	16,140	28,033
Offsetting against deferred tax assets . . . . .	(11,152)	(16,140)	(26,175)
Net deferred tax liabilities . . . . .	<u>2,762</u>	<u>-</u>	<u>1,858</u>

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) Deferred Tax Assets

	Tax losses	Loss provisions and impairment reserves	Government grants	Unrealized internal profits	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023 . . . . .	3,119	12,009	1,418	112	1,794	–	18,452
(Debited)/credited to profit or loss (Note 11) . . . . .	(2,450)	364	3,493	93	(170)	–	1,330
At December 31, 2023 . . . . .	<u>669</u>	<u>12,373</u>	<u>4,911</u>	<u>205</u>	<u>1,624</u>	<u>–</u>	<u>19,782</u>
At January 1, 2024 . . . . .	669	12,373	4,911	205	1,624	–	19,782
Credited/(debited) to profit or loss (Note 11) . . . . .	1,397	2,564	1,380	(143)	1,116	135	6,449
At December 31, 2024 . . . . .	<u>2,066</u>	<u>14,937</u>	<u>6,291</u>	<u>62</u>	<u>2,740</u>	<u>135</u>	<u>26,231</u>
At January 1, 2025 . . . . .	2,066	14,937	6,291	62	2,740	135	26,231
(Debited)/credited to profit or loss (Note 11) . . . . .	5,055	(1,007)	(560)	994	51	3,284	7,817
Debited to equity . . . . .	–	(87)	–	–	–	–	(87)
At December 31, 2025 . . . . .	<u>7,121</u>	<u>13,843</u>	<u>5,731</u>	<u>1,056</u>	<u>2,791</u>	<u>3,419</u>	<u>33,961</u>

(b) Deferred Tax Liabilities

	Right of use assets	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023 . . . . .	1,557	10,281	11,838
Debited to profit or loss (Note 11) . . . . .	89	1,987	2,076
At December 31, 2023 . . . . .	<u>1,646</u>	<u>12,268</u>	<u>13,914</u>
At January 1, 2024 . . . . .	1,646	12,268	13,914
Debited to profit or loss (Note 11) . . . . .	1,066	1,160	2,226
At December 31, 2024 . . . . .	<u>2,712</u>	<u>13,428</u>	<u>16,140</u>
At January 1, 2025 . . . . .	2,712	13,428	16,140
(Credited)/debited to profit or loss (Note 11) . . . . .	(175)	12,068	11,893
At December 31, 2025 . . . . .	<u>2,537</u>	<u>25,496</u>	<u>28,033</u>

(c) **Deferred Tax Assets Not Recognized**

The Group has not recognized deferred tax assets in respect of the items below, which were not likely to generate taxable profit:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses . . . . .	22,801	36,592	77,177
Deductible temporary differences . . . . .	15,146	7,572	7,695
	<u>37,947</u>	<u>44,164</u>	<u>84,872</u>

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2023, 2024 and 2025 the following table shows unused tax losses based on its expected expiry date:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2026 . . . . .	3,074	3,074	3,074
2027 . . . . .	8,545	8,545	8,545
2028 . . . . .	11,182	11,182	11,182
2029 . . . . .	–	13,791	13,791
2030 . . . . .	–	–	40,585
	<u>22,801</u>	<u>36,592</u>	<u>77,177</u>

21. **TRADE AND NOTES RECEIVABLES**

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables . . . . .	–	13,992	12,121
Trade receivables . . . . .	237,432	282,002	390,736
Less: credit loss allowance . . . . .	(26,335)	(25,248)	(20,793)
	<u>211,097</u>	<u>270,746</u>	<u>382,064</u>

(a) As at January 1, 2023, the carrying amounts of trade and notes receivables from contracts with customers is amounting to RMB241,848,000 (net of expected credit loss amounting to RMB34,983,000).

(b) Notes receivables represent short-term bank acceptance notes receivables that entitle the Group to receive the full face amount from the banks at maturity, which generally within 12 months from the date of issuance. Historically, the Group had experienced no credit losses on notes receivables. The Group from time to time endorses bank acceptance notes to suppliers in order to settle trade payables.

For these notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Notes. As at 31 December 2023, 2024 and 2025, the aggregate carrying amounts of the trade payables settled by such Endorsed Notes to which the suppliers have recourse were nil, RMB518,000 and RMB409,000, respectively.

- (c) The normal credit term to the customers is generally ranging from 30 to 90 days. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year . . . . .	215,771	270,151	388,924
1 to 2 years . . . . .	13,389	33	467
2 to 3 years . . . . .	7,493	10,830	33
3 to 4 years . . . . .	4	209	439
4 to 5 years . . . . .	342	4	200
Over 5 years . . . . .	433	775	673
	<u>237,432</u>	<u>282,002</u>	<u>390,736</u>

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	415	315	200
Less: credit loss allowance . . . . .	(196)	(210)	(160)
	<u>219</u>	<u>105</u>	<u>40</u>

The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 to 2 years . . . . .	–	–	–
2 to 3 years . . . . .	309	–	–
3 to 4 years . . . . .	4	209	–
4 to 5 years . . . . .	2	4	200
Over 5 years . . . . .	100	102	–
	<u>415</u>	<u>315</u>	<u>200</u>

22. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Prepayments:</b>			
Prepayments for raw materials . . . . .	43,583	37,986	231
Prepayments for operating expenses . . . . .	152	195	916
<b>Other receivables:</b>			
Export tax refund receivables . . . . .	5,089	10,875	3,665
Amounts due from third parties . . . . .	1,780	185	127
Deposits and warranties . . . . .	3,008	1,972	1,448
Others . . . . .	404	250	250
Less: provision for impairment . . . . .	(795)	(1,091)	(882)
	<u>53,221</u>	<u>50,372</u>	<u>5,755</u>

The loss allowances for other receivables for the years ended December 31, 2023, 2024, and 2025 reconcile to the opening loss allowances are as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance . . . . .	459	795	1,091
Loss allowance (reversed)/recognized, net . . . . .	336	295	(209)
Effects of exchange rate changes . . . . .	–	1	–
<b>Closing loss allowance . . . . .</b>	<b>795</b>	<b>1,091</b>	<b>882</b>

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Prepayments:</b>			
Prepayments for operating expenses . . . . .	–	–	10
<b>Other receivables:</b>			
Due from subsidiaries . . . . .	240,265	228,643	222,321
Dividend receivable . . . . .	5,000	–	–
<b></b>	<b>245,265</b>	<b>228,643</b>	<b>222,331</b>

23. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other current assets</b>			
Deductible input VAT . . . . .	1,488	1,910	2,542
Prepaid corporate income tax . . . . .	4,683	1,600	5,373
Capitalization of listing expenses . . . . .	–	–	2,562
Others . . . . .	947	453	2,061
<b></b>	<b>7,118</b>	<b>3,963</b>	<b>12,538</b>
<b>Other non-current assets</b>			
Prepayments for non-current assets . . . . .	8,260	7,968	2,915

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other current assets</b>			
Deductible input VAT . . . . .	316	370	1,245
Capitalization of listing expenses . . . . .	–	–	2,562
<b></b>	<b>316</b>	<b>370</b>	<b>3,807</b>

24. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials . . . . .	166,646	174,623	253,150
Finished goods . . . . .	86,711	126,394	244,346
Work in progress . . . . .	22,780	56,543	66,934
Outsourced processing materials . . . . .	3,305	10,000	–
Goods in transit . . . . .	238	5,464	11,685
Others . . . . .	3,090	2,526	4,633
	<u>          </u>	<u>          </u>	<u>          </u>
Less: provision for impairment . . . . .	(50,944)	(54,672)	(55,426)
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>231,826</u>	<u>320,878</u>	<u>525,322</u>

- (i) The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of sales. For the years ended December 31, 2023, 2024 and 2025, the cost of inventories carried forward to the cost of sales amounted to approximately RMB830,006,000, RMB950,260,000 and RMB1,401,855,000, respectively.
- (ii) Provision/reversal for inventories recorded as cost of sales during the years ended December 31, 2023, 2024 and 2025 were RMB23,474,000, RMB9,830,000 and RMB16,810,000, respectively.
- (iii) The written off of provisions for inventories during the years ended December 31, 2023, 2024 and 2025 were RMB6,845,000, RMB6,101,000 and RMB16,033,000, respectively.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances . . . . .	215,928	187,519	151,866
Less: restricted cash (i) . . . . .	(8,957)	(9,164)	(8,070)
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents . . . . .	<u>206,971</u>	<u>178,355</u>	<u>143,796</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances . . . . .	3,096	10,948	791
Less: restricted cash (i) . . . . .	–	(462)	(486)
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents . . . . .	<u>3,096</u>	<u>10,486</u>	<u>305</u>

- (i) As at December 31, 2023, 2024 and 2025, the Group's bank deposits amounting to RMB4,898,000, RMB1,474,000 and RMB1,800,000 were pledged as a guarantee for the bank acceptance notes, letters of guarantees and letter of credit granted to the Group.  
As at December 31, 2023, the Group's term deposits amounting to RMB4,059,000 were pledged as a guarantee for the bank acceptance notes.  
As at December 31, 2024 and 2025, another RMB7,690,000 and RMB6,270,000 deposits placed with banks were temporarily frozen for pending litigations.

(b) Cash and Bank Balances are Denominated in:  
The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB .....	78,594	99,614	116,630
USD .....	137,334	87,723	29,513
VND .....	–	133	5,611
HKD .....	–	49	112
	<u>215,928</u>	<u>187,519</u>	<u>151,866</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB .....	3,083	10,948	791
USD .....	13	–	–
	<u>3,096</u>	<u>10,948</u>	<u>791</u>

26. BORROWINGS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Non-current</b>			
<b>Bank borrowings</b>			
– Secured and guaranteed .....	97,460	–	–
– Secured and unguaranteed .....	–	87,342	53,203
– Unsecured and unguaranteed .....	509	–	40,070
	<u>97,969</u>	<u>87,342</u>	<u>93,273</u>
<b>Current</b>			
<b>Bank borrowings</b>			
– Secured and guaranteed .....	–	1,482	–
– Unsecured and guaranteed .....	36,042	64,313	–
– Secured and unguaranteed .....	10,014	28,159	76,955
– Unsecured and unguaranteed .....	1,025	1,002	246,334
	<u>47,081</u>	<u>94,956</u>	<u>323,289</u>

(a) As at December 31, 2023, 2024 and 2025, the annual interest rate of short-term borrowings was ranged from 3.20% to 4.75%, 2.20% to 4.65% and 1.24% to 3.00%, respectively.

As at December 31, 2023, 2024 and 2025, the annual interest rate of long-term borrowings was ranged from 3.20% to 4.90%, 3.80% and 2.60% to 3.80%, respectively.

(b) As at December 31, 2023, secured or guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB97,330,000 guaranteed by Mr. Zhou Aijun, the Company, and secured by the land use right and buildings; (ii) borrowings with a principal equivalent to approximately RMB32,000,000 guaranteed by Mr. Zhou Aijun and the Company; (iii) borrowings with a principal equivalent to approximately RMB4,000,000 guaranteed by Mr. Zhou Aijun; (iv) borrowings with a principal equivalent to approximately RMB10,000,000 secured by the Group's certain patents.

As at December 31, 2024, secured or guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB1,476,000 guaranteed by Mr. Zhou Aijun, the Company, and secured by the land use right and buildings; (ii) borrowings with a principal equivalent to approximately RMB43,367,000 guaranteed by Mr. Zhou Aijun and the Company; (iii) borrowings with a principal equivalent to approximately RMB104,238,000 secured by the land use right and buildings; (iv) borrowings with a principal equivalent to approximately RMB20,540,000 guaranteed by Mr. Zhou Aijun; (v) borrowings with a principal equivalent to approximately RMB11,097,000 secured by the Group's certain notes receivables.

As at December 31, 2025, secured bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB129,953,000 secured by the land use right and buildings.

During the Track Record Period, all these guarantees provided by the ultimate controlling person Mr. Zhou Aijun, were released in August 2025 and were replaced by pledges of specific assets.

(c) As at December 31, 2023, 2024 and 2025 the Group's borrowings were repayable as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	47,081	94,956	323,289
Between 1 and 2 years . . . . .	9,194	56,067	53,203
Between 2 and 5 years . . . . .	88,775	31,275	40,070
	<u>145,050</u>	<u>182,298</u>	<u>416,562</u>

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

## 27. TRADE AND NOTES PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and notes payables			
– Trade payables . . . . .	107,572	206,966	266,229
– Notes payables . . . . .	7,895	612	–
	<u>115,467</u>	<u>207,578</u>	<u>266,229</u>

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	106,564	205,998	266,198
1 to 2 years . . . . .	1,008	318	10
2 to 3 years . . . . .	–	650	21
	<u>107,572</u>	<u>206,966</u>	<u>266,229</u>

28. ACCRUALS AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, wages and benefits . . . . .	23,143	23,726	29,081
Payables for construction and equipment . . . . .	43,547	51,766	73,999
Accruals and other payables . . . . .	8,714	6,380	10,070
Taxes other than income tax payables . . . . .	3,613	4,724	2,910
Deposits payables . . . . .	1,135	1,390	1,354
	<u>80,152</u>	<u>87,986</u>	<u>117,414</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Accruals and other payables . . . . .	4,090	2,104	3,440
Salaries, wages and benefits . . . . .	509	545	626
Taxes other than income tax payables . . . . .	71	12	13
Deposits payables . . . . .	2	2	–
	<u>4,672</u>	<u>2,663</u>	<u>4,079</u>

29. PROVISIONS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Outstanding litigation (i) . . . . .	–	–	10,684
	<u>–</u>	<u>–</u>	<u>10,684</u>

(i) The outstanding litigation is related to a construction engineering contract.

Provisions in respect of cases for which the ultimate outcome can be reliably estimated based on the advice from appointed legal counsel and the progress of such cases.

30. OTHER CURRENT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other current liabilities:			
Recourse obligations (i) . . . . .	–	518	409
Other tax to be recognized . . . . .	10	88	213
	<u>10</u>	<u>606</u>	<u>622</u>

(i) The Group settled part of its trade payables by endorsing notes receivables to the suppliers. Given that the suppliers retain the right to demand payment from the Group if the notes issuer or a prior holder fails to pay the notes, this created a recourse obligations to the Group.

31. DEFERRED INCOME

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants . . . . .	36,012	40,575	37,394

The movements of deferred income for the Track Record Period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	13,040	36,012	40,575
Grants received during the year . . . . .	24,646	7,510	400
Amounts released to profit or loss during the year . . . . .	(1,674)	(2,947)	(3,581)
At the end of the year . . . . .	36,012	40,575	37,394

32. SHARE CAPITAL

The Group and the Company

	Year ended December 31,					
	2023		2024		2025	
	Share capital RMB'000	Number of shares '000	Share capital RMB'000	Number of shares '000	Share capital RMB'000	Number of shares '000
At the beginning of the year . . . . .	46,067	46,067	46,067	46,067	46,067	46,067
At the end of the year . . . . .	46,067	46,067	46,067	46,067	46,067	46,067

33. SHARE INCENTIVE SCHEME

In November 2020, the shareholders' meeting of the Company passed a resolution to adopt incentive plan (the "2020 Employee Share Incentive Scheme") in order to attract and retain senior management and employees for the continual operation and development of the Group. Pursuant to the Employee Share Incentive Scheme, 1,347,000 shares of the Company were issued to two employee incentive platforms, namely Jiaying Longguan Advisory Management Partnership (Limited Partnership) 嘉興龍觀諮詢管理合夥企業(有限合夥) and Jiaying Longxi Advisory Management Partnership (Limited Partnership) 嘉興龍溪諮詢管理合夥企業(有限合夥), at the price ranging from RMB7 to RMB19 per share.

In May 2024, the board meeting of the Company passed a resolution to adopt incentive plan (the "2024 Employee Share Incentive Scheme") in order to attract and retain senior management and employees for the continual operation and development of the Group. Pursuant to the Employee Share Incentive Scheme, the 1,462,500 shares of the company are indirectly held by the general partner through the employee equity incentive platform, namely Dalian Longgu Investment Advisory Management Partnership (Limited Partnership) 大連龍谷投資諮詢管理合夥企業(有限合夥), and are being allocated as employee equity incentives at RMB16.8 per share.

In September 2025, the shareholders' meeting of the Company passed the revised the 2020 Employee Share Incentive Scheme and the 2024 Employee Share Incentive Scheme (the "2025 Employee Share Incentive Scheme"), Pursuant to the Employee Share Incentive Scheme, the 1,462,500 shares and 282,000 shares of the company are indirectly held by the general partner through the employee equity incentive platforms, namely Dalian Longgu Investment Advisory Management Partnership(Limited Partnership) 大連龍谷投資諮詢管理合夥企業(有限合夥) and Jiaying Longxi Advisory Management Partnership (Limited Partnership) 嘉興龍溪諮詢管理合夥企業(有限合夥) respectively, and are being allocated as employee equity incentives at RMB16.77 per share.

Before September 2025, each grant of share awards needs to meet service requirements from the date of grant to the later of three years since the date of the company's listing on the A-share market (the "Service Period"). In September 2025, the shareholders' meeting of the Company passed the revised the 2020 Employee Share Incentive Scheme and the 2024 Employee Share Incentive Scheme, each grant of share awards needs to meet service requirements from the date of grant to the later of two years since the date of the company's listing on the H-share market (the "Service Period"). After taking into consideration of the best estimation of the Share Incentive Scheme, the management determined the vesting period of the relevant restricted shares based on the above performance conditions and service requirements. As such, the share-based payment expenses are amortized during the vesting period.

Details of granted shares during the Track Record Period are as follows:

Date of grant	Number of restricted shares	Subscription price per share	Fair value per share
	('000)		
June 28, 2024 . . . . .	205	RMB16.80	RMB51.91
September 6, 2025 . . . . .	291	RMB16.77	RMB65.22
<b>Total . . . . .</b>	<b>496</b>		

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the subscription price. The fair value of the share award granted is measured as the market value at the grant date.

As for the 2020 Employee Share Incentive Scheme, the fair value of the share award granted at grant date is determined by the price of the most recent external investor's capital increase and shareholding.

As for the 2024 Employee Share Incentive Scheme and 2025 Employee Share Incentive Scheme, the fair value of the share award granted at grant date has been arrived with reference to the valuation carried out on the date by an independent qualified professional valuer not connected to the Group, using Guideline Public Company Method under market approach.

Set out below are details of the movements of the outstanding restricted shares granted under the Employee Share Incentive Scheme throughout the Track Record Period.

The number of share granted to the Group's incentive participants is summarized as follows:

	Year ended December 31,		
	2023	2024	2025
	('000)	('000)	('000)
At the beginning of the year . . . . .	1,863	1,749	1,879
Granted . . . . .	–	205	291
Forfeited . . . . .	(114)	(75)	(156)
<b>At the end of the year . . . . .</b>	<b>1,749</b>	<b>1,879</b>	<b>2,014</b>

During the years ended December 31, 2023, 2024 and 2025, equity-settled Share-based payment compensation expenses of RMB5,891,000, RMB2,186,000 and RMB5,920,000 were charged to profit or loss, respectively.

The weighted average remaining contractual lives for the outstanding restricted shares granted were 4 years, 7 years and 2.25 years as at the end of each of the Track Record Period, respectively.

34. **RETAINED EARNINGS**

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	240,829	291,568	319,282
Net profit . . . . .	50,739	53,404	80,493
Dividends (Note 12) . . . . .	–	(23,033)	–
Appropriation to statutory reserves . . . . .	–	(2,657)	–
<b>At the end of the year . . . . .</b>	<b>291,568</b>	<b>319,282</b>	<b>399,775</b>

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year . . . . .	1,554	692	1,570
Net (losses)/profit . . . . .	(862)	26,568	(12,101)
Dividends ( <i>Note 12</i> ) . . . . .	–	(23,033)	–
Appropriation to statutory reserves . . . . .	–	(2,657)	–
At the end of the year . . . . .	<u>692</u>	<u>1,570</u>	<u>(10,531)</u>

35. OTHER RESERVES

The Group

	Share premium	Capital reserves	Statutory reserve	Other comprehensive income reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2023 . . . . .	385,880	10,186	646	9	396,721
Currency translation differences . . . . .	–	–	–	(714)	(714)
Share-based payment scheme: – Share-based compensation expenses . . . . .	–	5,891	–	–	5,891
Balance at December 31, 2023 . . . . .	<u>385,880</u>	<u>16,077</u>	<u>646</u>	<u>(705)</u>	<u>401,898</u>
Balance at January 1, 2024 . . . . .	385,880	16,077	646	(705)	401,898
Currency translation differences . . . . .	–	–	–	157	157
Share-based payment scheme: – Share-based compensation expenses . . . . .	–	2,186	–	–	2,186
Appropriation to statutory reserve . . . . .	–	–	2,657	–	2,657
Balance at December 31, 2024 . . . . .	<u>385,880</u>	<u>18,263</u>	<u>3,303</u>	<u>(548)</u>	<u>406,898</u>
Balance at January 1, 2025 . . . . .	385,880	18,263	3,303	(548)	406,898
Currency translation differences . . . . .	–	–	–	(1,517)	(1,517)
Share-based payment scheme: – Share-based compensation expenses . . . . .	–	5,920	–	–	5,920
Changes in fair value of financial assets at FVOCI . . . . .	–	–	–	(303)	(303)
Balance at December 31, 2025 . . . . .	<u>385,880</u>	<u>24,183</u>	<u>3,303</u>	<u>(2,368)</u>	<u>410,998</u>

The Company

	<u>Share premium</u>	<u>Capital Reserves</u>	<u>Statutory reserve</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2023 . . . . .	385,880	10,186	646	396,712
Share-based payment scheme:				
– Share-based compensation expenses . . . . .	–	5,891	–	5,891
<b>Balance at December 31, 2023 . . . . .</b>	<b><u>385,880</u></b>	<b><u>16,077</u></b>	<b><u>646</u></b>	<b><u>402,603</u></b>
	<u>Share premium</u>	<u>Capital reserves</u>	<u>Statutory reserve</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2024 . . . . .	385,880	16,077	646	402,603
Share-based payment scheme:				
– Share-based compensation expenses . . . . .	–	2,186	–	2,186
Appropriation to statutory reserve . . . . .	–	–	2,657	2,657
<b>Balance at December 31, 2024 . . . . .</b>	<b><u>385,880</u></b>	<b><u>18,263</u></b>	<b><u>3,303</u></b>	<b><u>407,446</u></b>
	<u>Share premium</u>	<u>Capital reserves</u>	<u>Statutory reserve</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2025 . . . . .	385,880	18,263	3,303	407,446
Share-based payment scheme:				
– Share-based compensation expenses . . . . .	–	5,920	–	5,920
<b>Balance at December 31, 2025 . . . . .</b>	<b><u>385,880</u></b>	<b><u>24,183</u></b>	<b><u>3,303</u></b>	<b><u>413,366</u></b>

36. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit before Income Tax to Net Cash Generated from Operations:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax for the year . . . . .	57,789	54,673	97,095
Adjustments for:			
Interest income . . . . .	(4,616)	(5,826)	(971)
Finance costs . . . . .	8,580	7,283	9,666
Depreciation and amortization of non-current assets . . . . .	25,609	31,343	38,451
Net losses on disposal of property, plant and equipment and other non-current assets . . . .	–	111	552
(Reversal of impairment losses)/impairment losses on financial assets . . . . .	(10,568)	(1,015)	6,154
Impairment provision for inventories . . . . .	23,474	9,830	16,810
Share of loss of associates, net . . . . .	2,393	–	–
Gains on disposal of financial assets . . . . .	–	(27)	(85)
Net foreign exchange (gains)/losses . . . . .	(4,896)	(2,584)	4,182
Share-based compensation expenses . . . . .	5,891	2,186	5,920
Others . . . . .	(1,675)	(2,945)	–
Change in working capital:			
Decrease/(increase) in receivables . . . . .	15,037	(67,597)	(169,743)
Increase/(decrease) in payables . . . . .	84,935	91,968	91,915
Increase in inventories . . . . .	(6,381)	(98,782)	(218,124)
Cash generated from/(used in) operations . . . . .	<u>195,572</u>	<u>18,618</u>	<u>(118,178)</u>

(b) Non-Cash Activities

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of inventories and long-term assets by acceptance notes . . . . .	7,785	14,428	61,803
Additions of right-of-use assets by way of leasing liabilities ( <i>Note 17</i> ) . . . . .	<u>160</u>	<u>14,377</u>	<u>–</u>

(c) Net Debt Reconciliation

	Bank borrowings	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023 . . . . .	220,955	10,928	231,883
Financing cash flows . . . . .	(71,030)	(4,953)	(75,983)
Interest paid . . . . .	(9,801)	–	(9,801)
Interest accrued . . . . .	9,678	360	10,038
Other non-cash movements . . . . .	(4,752)	161	(4,591)
At December 31, 2023 . . . . .	<u>145,050</u>	<u>6,496</u>	<u>151,546</u>
At January 1, 2024 . . . . .	145,050	6,496	151,546
Financing cash flows . . . . .	37,734	(3,059)	34,675
Interest paid . . . . .	(5,908)	–	(5,908)
Interest accrued . . . . .	6,448	347	6,795
Other non-cash movements . . . . .	(1,026)	7,241	6,215
At December 31, 2024 . . . . .	<u>182,298</u>	<u>11,025</u>	<u>193,323</u>
At January 1, 2025 . . . . .	182,298	11,025	193,323
Financing cash flows . . . . .	267,263	(1,735)	265,528
Interest paid . . . . .	(8,277)	–	(8,277)
Interest accrued . . . . .	8,869	318	9,187
Other non-cash movements . . . . .	(33,591)	(1,551)	(35,142)
At December 31, 2025 . . . . .	<u>416,562</u>	<u>8,057</u>	<u>424,619</u>

37. CONTINGENCIES AND COMMITMENTS

37.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2023, 2024 and 2025, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Financial Information.

37.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment and intangible assets commitments:			
– Contracted, but not provided for . . . . .	<u>2,771</u>	<u>32,020</u>	<u>23,210</u>

38. RELATED PARTY TRANSACTIONS

(a) Names and Relationship with Related Parties

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended December 31, 2023, 2024 and 2025:

Name of the related parties	Relationship with the Group
Mr. Zhou Aijun . . . . .	Ultimate Controlling Persons of the Group
Plastic Logic HK Limited . . . . .	An associate of the Group
PL Germany GmbH . . . . .	A fellow subsidiary of the associate of the Group
Shenzhen Guohua Optoelectronic Tech. Co., Ltd. (深圳市國華光電科技有限公司) . . . . .	An independent non-executive director of the Company is the ultimate controlling shareholder of this entity. (i)

(i) This independent non-executive director was resigned from the position of company director in February 2022 for personal development. Since then, the Company's related relationship with Shenzhen Guohua Optoelectronic Tech. Co., Ltd was terminated. However, following his reappointment as an Independent Non-executive Director in September 2025, the related relationship with the Company has been reinstated.

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following transactions with related parties:

(b) Material Transactions with Related Parties

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of goods from a fellow subsidiary of the associate of the Group . . . . .	3,150	-	-
	<u>3,150</u>	<u>-</u>	<u>-</u>
	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods to an associate of the Group . .	-	-	-
Sales of goods and rendering of services to a fellow subsidiary of the associate of the Group . . . . .	525	-	-
Sales of goods to a executive director of the Company is the ultimate controlling shareholder of this entity . . . . .	-	-	375
	<u>525</u>	<u>-</u>	<u>375</u>

(c) Balance with Related Parties

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade nature			
Trade payables due to a fellow subsidiary of the associate of the Group . . . . .	309	314	–
	<u>309</u>	<u>314</u>	<u>–</u>

(d) Guarantee from related parties

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Guarantee provided by the ultimate controlling person Mr. Zhou Aijun			
– Bank borrowings (i) . . . . .	133,330	65,383	–
– Notes payable (ii) . . . . .	1,174	–	–
– Letter of guarantee (iii) . . . . .	–	700	–
	<u>134,504</u>	<u>66,083</u>	<u>–</u>

During the Track Record Period, all these guarantees provided by the ultimate controlling person Mr. Zhou Aijun, were released in August 2025 and were replaced by pledges of specific assets.

- (i) As at 31 December 2023, certain of the Group's interest-bearing bank borrowings comprised:
- (i) RMB97,330,000 guaranteed by Mr. Zhou Aijun, the Company, and pledged by the land use right and buildings at interest rates ranging from 3.20% to 4.90% per annum.
  - (ii) RMB32,000,000 guaranteed by Mr. Zhou Aijun and the Company at interest rates ranging from 3.35% to 3.80% per annum.
  - (iii) RMB4,000,000 guaranteed by Mr. Zhou Aijun at interest rates ranging from 3.20% to 4.75% per annum.
- As at 31 December 2024, certain of the Group's interest-bearing bank borrowings comprised:
- (i) RMB1,476,000 guaranteed by Mr. Zhou Aijun, the Company, and pledged by the land use right and buildings at an interest rate of 2.70% per annum.
  - (ii) RMB43,367,000 guaranteed by Mr. Zhou Aijun and the Company at interest rates ranging from 2.20% to 3.00% per annum.
  - (iii) RMB20,540,000 guaranteed by Mr. Zhou Aijun at interest rates ranging from 2.85% to 3.00% per annum.
- (ii) As at 31 December 2023, certain of the Group's notes payable comprised RMB1,174,000 guaranteed by Mr. Zhou Aijun.
- (iii) As at 31 December 2024, certain of the Group's letter of guarantee comprised RMB700,000 guaranteed by Mr. Zhou Aijun.

(e) **Key Management Compensation**

Compensation of the key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 9(a), was as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses . . . . .	7,643	8,252	6,676
Share-based compensation expenses . . . . .	3,331	1,623	2,468
Pension costs, housing fund, medical insurance and other social benefits . . . . .	1,316	1,408	1,234
	<u>12,290</u>	<u>11,283</u>	<u>10,378</u>

As at December 31, 2023, 2024 and 2025, approximately RMB2,250,000, RMB1,909,000 and RMB2,080,000 of payroll payables were included in other payables and accruals. The share-based payments provided to key management personnel consist of restricted share incentive schemes which are equity-settled, see Note 33.

(f) **Redemption rights of the Pre-IPO Investors granted by Mr. Zhou Aijun**

Prior to the Track Record Period, the Pre-IPO Investors had been granted the redemption rights by Mr. Zhou Aijun. No side arrangements between the Company, the Pre-IPO Investors or between the Company and Mr. Zhou Aijun regarding redemption rights.

Pursuant to supplemental agreements entered into by the Company, the Pre-IPO Investors and Mr. Zhou Aijun in May 2022, the redemption rights granted by Mr. Zhou Aijun automatically terminated, effective as of June 30, 2023, the date on which the Company submitted its A-share listing application. The Company has not provided any form of guarantee in connection with any potential default or failure of Mr. Zhou Aijun to fulfill his obligations relating to the redemption rights. Accordingly, considering that the Company has no obligation to the redemption rights granted by Mr. Zhou Aijun, no financial liability regarding such rights was recorded by the Company during the Track Record Period.

39. **EVENTS AFTER THE REPORTING PERIOD**

The Group had no significant subsequent events after December 31, 2025 and up to the date of this report.

40. **SUMMARY OF OTHER ACCOUNTING POLICIES**

(1) **Principles of Consolidation**

The Historical Financial Information incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

*Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

(2) **Investments in Associates**

An associate is an entity over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Changes in the Group's interests in associates and joint ventures*

When the Group reduces its ownership interests in an associate or a joint venture but the Group continues to use the equity method (including situations that change of ownership interest in an associate or a joint venture due to capital increase of other shareholders to the associate or the joint venture), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

(3) **Business Combinations**

(i) ***Business Combination not under Common Controls***

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

(4) **Separate Financial Statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

(5) **Foreign Currencies**

(i) ***Functional and Presentation Currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) ***Transactions and Balances***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) *Group Companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(6) **Property, Plant and Equipment**

The Group's accounting policy for buildings and equipment is explained in Note 16(a). Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(7) **Impairment of Non-Financial Assets**

Goodwill and intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(8) **Intangible assets**

*Software*

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life.

(9) **Financial Assets**

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in other comprehensive income.

(ii) *Recognition and Derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.
- **FVOCI:** assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable.

(iv) *Impairment of Financial Assets*

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

**(10) Financial Liabilities**

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, other payables and accruals, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized part of the financial liability and the consideration paid is recognized in profit or loss for the current period.

**(11) Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on the month-end weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(12) Trade Receivables**

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.2 for a description of the Group's impairment policies.

**(13) Share Capital and Capital Reserve**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(14) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(15) Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

**(16) Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

**(17) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

**(18) Employee Benefits**

**(i) Short-Term Obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

**(ii) Housing Funds, Medical Insurances and Other Social Insurances**

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

**(iii) Post-Employment Benefits**

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

**(iv) Basic Pensions**

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
  - by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.
- Basic earnings per share is calculated by dividing:

*Basic earnings per share*

(23) Earnings per Share

Dividend income is recognized when the right to receive dividend payment is established.

(22) Dividend Income

cash management purposes.

Interest income is presented as finance income where it is earned from financial assets that are held for the effective interest method is recognized in profit or loss as part of other income.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

(21) Interest Income

directors, where appropriate.

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

(20) Dividend Distribution

The Group may modify the terms and conditions on which the share-based compensation plan was granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of the share-based compensation plan, that is cancelled or settled during the vesting year, is treated as an acceleration of vesting. The Group will immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

(iii) *Modifications and Cancellations*

Company.

The Company settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the Company's own equity instruments. Otherwise, the transaction shall be recognized as a cash settled share-based payment transaction. In its separate financial statements, the Company records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by the Company. The Company records a debit, recognizing the cash the employee paid when exercising the equity-settled share-based payment along with a decrease in reserves and a credit, recognizing share capital and share premium of the Company.

(ii) *Share-based payment transactions among group entities*

corresponding adjustment to equity.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period);
- including the impact of any non-vesting conditions.

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) *Equity-settled share-based payment transactions*

(19) Share-Based Payments

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(24) **Government Grant**

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(25) **Research and development expenses**

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

(26) **Current and Deferred Income Tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) *Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) *Deferred Income Tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

*Lease Liabilities*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Retainable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Right-of-Use Assets*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Short-Term Leases and Leases of Low-Value Assets*

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

*The Group as a Lessee* (ii)

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Definition of a Lease* (i)

Leases (27)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant tax authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

*(iii) The Group as a Lessor*

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

### III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2025 and up to the date of this report.